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India

Tobacco and Products

Annual

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Report Highlights:

Tobacco production dropped 11 percent in 2001 due to record 2000 FCV stocks and the crop holiday ordered for Andhra Pradesh. Despite declining cigarette use, increased preference for the multi-national brands manufactured in India is likely to boost tobacco imports to 305,000 tons.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

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Table of Contents

Production	Page 2 of 12
Consumption	Page 2 of 12
Prices	Page 3 of 12
Trade	Page 3 of 12
Cigarettes	Page 3 of 12
Table 1: Prices of Cigarette Tobaccos	Page 4 of 12
Commodity, Tobacco, Unmfg, PSD Table	Page 5 of 12
Commodity, Tobacco, Unmanufactured, Export Trade Matrix	Page 6 of 12
Commodity, Tobacco Unmanufactured, Import Trade Matrix	Page 7 of 12
Commodity, Tobacco, Burley, PSD Table	Page 8 of 12
Commodity, Tobacco, Flue Cured, PSD Table	Page 9 of 12
Commodity, Tobacco, Mfg., Cigarettes, PSD Table	Page 10 of 12
Commodity, Tobacco, Mfg., Cigarettes, Export Trade Matrix	Page 11 of 12
Commodity, Tobacco, Mfg., Cigarettes, ImportTrade Matrix	Page 12 of 12

Production

India's 2001 unmanufactured tobacco production is estimated to be down 11 percent to 585,600 tons (farm sales weight basis) of which cigarette tobaccos constitute about 40 percent. Strong production and stagnant domestic consumption led to record stocks of 108,442 tons during 2000, of which cigarette tobaccos constituted about 85 percent. This led to the declaration of a crop holiday for Andhra Pradesh's FCV crop. Due to the crop holiday, India's 2001 FCV crop is expected to fall 70 percent to about 56,000 tons. Andhra's FCV growers took to the cultivation of alternate crops, mainly pulses and corn. While adequate water and favorable pulse prices helped farmers in some of the growing regions, others saw a decline in profits due to the poor performance of alternate crops and low prices for corn. Despite this year's better returns from other crops, Andhra's FCV growers still lean towards tobacco due to their investments in infrastructure and consistently better margins from tobacco when compared with the alternatives.

Favorable weather led to higher productivity and better leaf quality as indicated by an increased percentage of bright grades at the Karnataka auctions. Andhra farmers/traders who stored their produce during last year in expectation of better prices, however, witnessed a deterioration in leaf quality and received lower prices than their Karnataka counterparts. Production of all other cigarette tobaccos decreased, except burley, which is expected to increase to 12,100 tons in 2001 due to lower stocks and higher export demand.

The tobacco board, a quasi-governmental agency, regulates the production and marketing of FCV tobacco in India. During the current season, the agency has declared a crop holiday for Andhra Pradesh's FCV crop and a quota of 38,000 for Karnataka's FCV crop. This action stems from higher carry-over stocks and stagnant demand, despite improved exports. FCV production, however, exceeded board targets by 15,000 tons in Karnataka and in AP, where the crop holiday has been declared, trade sources estimate that there will be an illegal crop of 300,000 tons. The board is yet to decide on the crop size for 2002; traders put the demand for FCV tobacco during 2002 at 155,000 tons. Production of other types, mainly burley and other cigarette tobaccos, are governed by export needs and contracts with the local industry for domestic consumption. There are no direct subsidies in tobacco production apart from a transportation subsidy for coal used in curing the Karnataka crop. The government, however, supports tobacco research and extension through various channels.

Consumption

India's consumption of unmanufactured tobacco in cigarette manufacturing is estimated to have declined by about 1,000 tons to 93,000 in 2000, of which FCV tobacco accounted for 80 percent, as the Indian market is dominated by English blends. Consumption of burley tobacco accounts for 6 percent of total tobacco usage as a filler in cigarette manufacturing. Other tobaccos used in the cigarette industry include HDBRG and sun-cured natu which have higher tar and nicotine contents and are used to improve the smoke value in low end cigarettes. Oriental and imported tobaccos are used by MNCs in the domestic manufacture of their brands for local consumption. Premium brands manufactured in India use a blend of domestic and imported FCV and oriental tobacco.

Prices

The Andhra FCV crop holiday, a declining carryover (reportedly 37,239 tons), and increasing export demand led to higher prices for cigarette tobaccos during the 2000 marketing year. Prices are expected to remain firm in 2001 due to an expected increase in export demand and lower stocks.

Trade

Although 2000 data are not yet available, imports are estimated to have dropped from 280 million tons (1999) to 275 million due to a decline in demand for premium cigarettes in the Indian market and the large-scale smuggling of foreign manufactured cigarettes into India.

Indian exports of unmanufactured tobacco increased by 4,000 tons to 123,185 tons in 2000 due to increased demand from Middle Eastern and African countries, better quality leaves and competitive prices. Prices continue to determine the export fortunes of Indian tobacco as it is considered inferior to Brazilian and Zimbabwean tobaccos. Following renewed demand from importing countries and production problems in major exporting ones (such as Zimbabwe), exports are expected to climb to 125,000 tons in 2001, though the actions of China (a large but unpredictable supplier) may have a strong bearing on India's exports. The bulk of sun-cured natu tobacco is exported to countries such as the UAE, Russia, Egypt, Bangladesh and Netherlands. Smaller quantities of cigar and pipe tobaccos are exported to the EU countries.

Cigarettes

Cigarette production declined by two percent to 95 billion in 2000 due to high prices and GOI measures to curtail smoking such as the prohibition of smoking in public places, legislation banning advertisements in mass media, and the sponsoring of sports events, etc. The decline in sales was even higher in the mini cigarette segment which competes directly with the low-cost beedi (hand rolled, leaf wrapped local cigarettes) and imported minis from neighboring South Asian countries (mainly Bangladesh and Nepal). These suffered a 5 percent fall in their sales following a steep increase in the excise tax. As higher prices for cigarettes have encouraged the continued shift of smokers to beedi's, cigarette production is expected to decline by another 1 million. Despite the depressed market flowing from falling consumption, the government has announced an across the board increase in the excise tariff for all types of cigarettes.

Exports of cigarettes increased from 1.25 to 1.32 billion pieces during 2000 due to increased demand from Middle-Eastern countries, Malaysia and Singapore due to the startup of production of international brands in India. Trade sources estimate that exports could climb to 1.5 billion pieces in 2001 due to growing demand in these markets for MNC brands produced in India. Following the relaxation of import restrictions, India's cigarette imports may rise by 15 million pieces to 260 million.

Table 1: Prices of Cigarette Tobaccos

Type	1999	2000	2001
MSP for L2 Grade FCV	21.5	22.0	22.0
MSP for F2 Grade FCV	24.0	24.5	25.5
MGP for various FCV	28.0 - 34.5	30.0 - 35.0	29.5 - 36.0
Karnataka FCV 1/	44.5	45.0	45.0
Andhra Pradesh FCV 1/	34.9	40.1	32.2
Burley	24.8	34.0	NA
HDBRG	17.6	13.0	NA
Sun-Cured Natu	19.5	24.0	NA

1/ Average Auction Price

Commodity, Tobacco, Unmfg, PSD Table

PSD Table							
Country:	India						
Commodity:	Tobacco, Unmfg.						
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		01/99		01/00		01/01	(MONTH/ YEAR)
Area Planted	429940	429940	435600	435600	0	395500	(HA)
Beginning Stocks	116270	116270	106187	106227	135552	108442	(MT)
Farm Sales Weight Prod	648600	648600	661600	661600	0	585600	(MT)
Dry Weight Production	587600	587600	599400	599400	0	530000	(MT)
U.S. Leaf Imports	30	40	25	25	0	30	(MT)
Other Foreign Imports	280	240	250	250	0	275	(MT)
TOTAL Imports	310	280	275	275	0	305	(MT)
TOTAL SUPPLY	704180	704150	705862	705902	135552	638747	(MT)
Exports	119643	119643	100000	123185	0	125000	(MT)
Dom. Leaf Consumption	478000	478000	470000	474000	0	470000	(MT)
U.S. Leaf Dom. Consum.	50	40	30	25	0	30	(MT)
Other Foreign Consump.	300	240	280	250	0	275	(MT)
TOTAL Dom. Consumption	478350	478280	470310	474275	0	470305	(MT)
TOTAL Disappearance	597993	597923	570310	597460	0	595305	(MT)
Ending Stocks	106187	106227	135552	108442	0	43442	(MT)
TOTAL DISTRIBUTION	704180	704150	705862	705902	0	638747	(MT)

Commodity, Tobacco, Unmanufactured, Export Trade Matrix

Export Trade Matrix			
Country:		Units:	tons
Commodity:			
Time period:	Jan - Dec		
Exports for	2000		2001
U.S.	1618	U.S.	
Others		Others	
Russia	42280		
United Kingdom	12581		
Belgium	10064		
Germany	7123		
Yemen Rep.	5682		
Ukraine	5460		
Netherlands	4063		
Nepal	2961		
Bangladesh	2674		
Jordan	2565		
Total for Others	95453		0
Others not listed	26114		
Grand Total	123185		0

Commodity, Tobacco Unmanufactured, Import Trade Matrix

Import Trade Matrix			
Country:		Units:	Tons
Commodity:			
Time period:	Jan - Dec		
Imports for	1999		2000
U.S.	39	U.S.	
Others		Others	
Turkey	166		
Australia	249		
China	857		
Taiwan	615		
Brazil	72		
Indonesia	300		
Zimbabwe	136		
Total for Others	2395		0
Others not listed	369		
Grand Total	2803		0

Commodity, Tobacco, Burley, PSD Table

Production Table							
Country:							
Commodity:	Burley						
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin							(MONTH/ YEAR)
Area Planted	9500	9500	12500	12500		12900	(HA)
Beginning Stocks	2695	2695	1645	1645	3945	1745	(MT)
Farm Sales Weight Prod	9800	9800	11600	11600		12100	(MT)
Dry Weight Production	8700	8700	10300	10300		10700	(MT)
U.S. Leaf Imports	0	0	0	0		0	(MT)
Other Foreign Imports	0	0	0	0		0	(MT)
TOTAL Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	11395	11395	11945	11945	3945	12445	(MT)
Exports	4500	4500	2500	4700		4500	(MT)
Dom. Leaf Consumption	5250	5250	5500	5500		5500	(MT)
U.S. Leaf Dom. Consum.	0	0	0	0		0	(MT)
Other Foreign Consump.	0	0	0	0		0	(MT)
TOTAL Dom. Consumption	5250	5250	5500	5500	0	5500	(MT)
TOTAL Disappearance	9750	9750	8000	10200	0	10000	(MT)
Ending Stocks	1645	1645	3945	1745		2445	(MT)
TOTAL DISTRIBUTION	11395	11395	11945	11945	0	12445	(MT)

Commodity, Tobacco, Flue Cured, PSD Table

Production Table							
Country:							
Commodity:	Flue Cured						
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin							(MONTH/YEAR)
Area Planted	157980	157980	154040	154040	0	46000	(HA)
Beginning Stocks	30219	30219	59709	59719	115059	106219	(MT)
Farm Sales Weight Prod	172000	172000	193000	187000	0	56000	(MT)
Dry Weight Production	154500	154500	173350	167500	0	52000	(MT)
U.S. Leaf Imports	15	15	10	10	0	15	(MT)
Other Foreign Imports	25	25	25	25	0	40	(MT)
TOTAL Imports	40	40	35	35	0	55	(MT)
TOTAL SUPPLY	184759	184759	233094	227254	115059	158274	(MT)
Exports	50000	50000	45000	48000	0	48000	(MT)
Dom. Leaf Consumption	75000	75000	73000	73000	0	73000	(MT)
U.S. Leaf Dom. Consum.	20	15	10	10	0	10	(MT)
Other Foreign Consump.	30	25	25	25	0	25	(MT)
TOTAL Dom. Consumption	75050	75040	73035	73035	0	73035	(MT)
TOTAL Disappearance	125050	125040	118035	121035	0	121035	(MT)
Ending Stocks	59709	59719	115059	106219	0	37239	(MT)
TOTAL DISTRIBUTION	184759	184759	233094	227254	0	158274	(MT)

Commodity, Tobacco, Mfg., Cigarettes, PSD Table

PSD Table							
Country:	India						
Commodity:	Tobacco, Mfg., Cigarettes						
		1999		2000		2001	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		01/99		01/00		01/01	(MONTH/ YEAR)
Filter Production	41500	41500	41000	41000	0	40500	(MIL PCS)
Non-Filter Production	55500	55500	54000	54000	0	53500	(MIL PCS)
TOTAL Production	97000	97000	95000	95000	0	94000	(MIL PCS)
Imports	225	225	240	245	0	260	(MIL PCS)
TOTAL SUPPLY	97225	97225	95240	95245	0	94260	(MIL PCS)
Exports	1250	1250	1150	1320	0	1350	(MIL PCS)
Domestic Consumption	95975	95975	94090	93925	0	92910	(MIL PCS)
TOTAL DISTRIBUTION	97225	97225	95240	95245	0	94260	(MIL PCS)

Commodity, Tobacco, Mfg., Cigarettes, Export Trade Matrix

Export Trade Matrix			
Country:		Units:	Million Pcs.
Commodity:			
Time period:	Jan - Dec		
Exports for	1999		2000
U.S.	55	U.S.	
Others		Others	
U.A.E.	365		
Malaysia	310		
Saudi Arabia	185		
Singapore	125		
Russia	32		
Bangladesh	25		
Total for Others	1042		0
Others not listed	228		
Grand Total	1325		0

Commodity, Tobacco, Mfg., Cigarettes, ImportTrade Matrix

Import Trade Matrix			
Country:		Units:	Million Pcs.
Commodity:			
Time period:	Jan - Dec		
Imports for	1999		2000
U.S.	42	U.S.	
Others		Others	
U.K.	158		
Japan	20		
Total for Others	178		0
Others not listed	5		
Grand Total	225		0